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Report Highlights:

Post forecasts a 6 percent increase in Nigeria's 2001/02 cocoa harvest to 180,000 tons. Weather conditions have been favorable in recent months and grower prices have staged a strong recovery after falling to a 5-year low in 2000. The processing sector has now completed an expansion in its utilization capacity which will support larger exports of liquor and an increased domestic consumption of cocoa powder.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

Nigeria's cocoa production in 2001/02 is forecast to increase to 180,000 tons. Weather has been favorable for development of the crop and growers have responded to higher prices. Grower returns improved following the rise in world price levels for cocoa and the devaluation of the local currency. The international market price for cocoa rose from \$767 in August 2000 to \$1,200 per ton in May 2001. Nigerian grower prices increased from a five year low of 65,000 Naira per ton to 120,000 Naira per ton over the same period. The local processing industry has just expanded its capacity to produce liquor which should encourage an increase in exports of this product to 10,000 tons (bean equivalent) in 2001/02 compared to only 4,000 tons during the current marketing year. An increase in domestic consumption of cocoa powder during the upcoming year also is anticipated. The GON continues its efforts to recover \$22 million of the \$44 million disbursed to Nigeria by the International Cocoa Organization (ICCO) and misappropriated by corrupt officials under the previous Abacha Government. The money represented Nigeria's portion of the ICCO's buffer stock which was liquidated in 1998. The GON hopes to partially finance its cocoa development program, initiated by President Obasanjo in December 1999, with the recovery of these funds.

Exchange Rate : Naira 112 = US\$1

PSD TABLE: Cocoa Beans

PSD Table						
Country	Nigeria					
Commodity	Cocoa Beans				(1000 HA)(MILLION TREES)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	430	430	430	430	0	430
Area Harvested	410	410	415	415	0	416
Bearing Trees	400000	400000	401000	401000	0	402000
Non-Bearing Trees	40000	40000	40000	40000	0	38000
TOTAL Tree Population	440000	440000	441000	441000	0	440000
Beginning Stocks	6529	6529	6529	6529	6529	6529
Main Production	135000	135000	140000	130000	0	140000
Mid & Other Production	35000	35000	40000	40000	0	40000
TOTAL Production	170000	170000	180000	170000	0	180000
Bean Imports	0	0	0	0	0	0
Liquor & Paste Imports	0	0	0	0	0	0
Butter Imports	0	0	0	0	0	0
Powder,Cake,Choc. Imp.	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	176529	176529	186529	176529	6529	186529
Bean Exports	125000	135000	140000	135000	0	140000
Liquor & Paste Exports	4000	4000	4000	4000	0	10000
Butter Exports	25000	16000	18000	16000	0	12000
Powder,Cake,Choc. Exp.	3000	2000	2000	2000	0	2000
TOTAL Exports	157000	157000	164000	157000	0	164000
Domestic Consumption	13000	13000	16000	13000	0	16000
Ending Stocks	6529	6529	6529	6529	0	6529
TOTAL DISTRIBUTION	176529	176529	186529	176529	0	186529

Production

Nigeria's cocoa production in 2001/02 is forecast at 180,000 tons. The improved output largely reflects favorable weather conditions in the cocoa belt. Rainfall has been adequate and well distributed in contrast to the late and erratic rains observed last season. Hot, dry conditions during the day were generally followed by evening rainfall which is ideal. Pod development for this season's main crop, which will be harvested beginning in early October, is much better than noted a year earlier.

The Government of Nigeria (GON) established a Cocoa Development Committee (CDC) in December 1999. It was charged by President Obasanjo with revamping Nigeria's cocoa sector. The Committee submitted to the

GON a National Cocoa Development Program which seeks to increase national cocoa production to 320,000 tons in the near-term and to 600,000 tons by 2006. Under this program, the GON provides cocoa producing states matching grants to raise hybrid, disease-resistant, high yielding and early maturing seedlings for distribution to farmers at subsidized prices. Industry sources, however, maintain that the program will not fully achieve its production goals unless Government extension support services to farmers are re-initiated and strengthened. Post's recent visit to Nigeria's cocoa growing areas revealed that the cocoa sector's response to the GON's new initiatives are lukewarm. The long gestation period required by cocoa trees continues to discourage replanting efforts. Nigeria's under-capitalized, small farmers express concern for loss of income resulting from an active replanting campaign. To date, the GON has not yet addressed the issue of temporary loss of income for poor cocoa farmers which is hindering the industry's progress in rehabilitating and replanting trees that have gone beyond their prime yielding years.

Area planted in 2001/02 is forecast at 430,000 hectares, unchanged from last season. The non-availability of virgin land is a major factor preventing total cocoa area from expanding. Area harvested will increase slightly, however, reflecting modest achievements in rehabilitating old cocoa fields. Farm inputs are readily available but usage is discouraged by high prices. Crop losses due to black pod disease tend to be high as farmers underutilize chemical sprays because of cash flow problems.

Yield

Average cocoa yield in Nigeria does not exceed 400 kilograms per hectare. Hybrid varieties developed by the Cocoa Research Institute of Nigeria have yield potential of 1.5 to 2 tons per hectare. Yield improvement in Nigeria is handicapped by inadequate extension support services, lack of proper farm maintenance, low farm input utilization, and old cocoa trees.

Crop Quality

The quality of Nigeria's cocoa is far below what it was in the early 1980's and that offered by other West African exporting countries. Most of the industry's quality control mechanisms were severely compromised following the dissolution of the Cocoa Board in 1986. In June 2001, the International Cocoa Organization (ICCO) initiated a private sector led project to address Nigeria's problems associated with marketing and trade of cocoa in a liberalized trade environment. The project seeks to improve Nigerian cocoa quality by addressing grading and warehousing constraints. Jute bags are now readily available following the GON's decision in 2000 to grant duty-free importation. The ICCO made the use of such bags mandatory, effective October 1, 1999.

Price

Cocoa production and trade in Nigeria is completely liberalized. Grower prices are determined by movements in the international price of cocoa and fluctuations in the exchange rate of the naira. The increase in the international price of cocoa triggered an upward spiral in grower prices from 65,000 naira in September 2000 to 120,000 Naira per ton in May 2001. The decline in grower prices experienced June - August 2001 is expected to be reversed once better grade cocoa becomes available from the harvesting of the main crop which begins in October.

Prices Table

Prices Table			
Country	Nigeria		
Commodity	Cocoa Beans		
Prices in	Naira	per uom	Ton
Year	2000	2001	% Change
Jan	80,000	100,000	25.00%
Feb	80,000	110,000	37.50%
Mar	80,000	110,000	37.50%
Apr	78,000	115,000	47.44%
May	78,000	120,000	53.85%
Jun	70,000	100,000	42.86%
Jul	68,000	85,000	25.00%
Aug	65,000	95,000	46.15%
Sep	65,000	NA	-100.00%
Oct	75,000	NA	-100.00%
Nov	75,000	NA	-100.00%
Dec	80,000	NA	-100.00%
Exchange Rate	112/\$1	Local currency/US \$	

Consumption

There are 17 processing facilities in Nigeria with a combined annual processing capacity of 220,000 tons of cocoa beans. At present, only six are operating. Total processing volume in 2000/01 is estimated at 35,000 tons, accounting for 20 percent of national production. About two-thirds of all processed cocoa products are destined for markets outside of Nigeria. Cocoa farmers in Nigeria receive approximately 85 percent of world market prices, the highest average return to growers in the region. The relatively high grower prices have a negative impact on Nigeria's cocoa processing profitability. Cocoa processors have turned to toll milling in an attempt to improve their margins and increase their bean utilization levels.

In order to stimulate cocoa processing activity, the GON has approved Export Processing Factory status for 2 local processors. This exempts them from payment of all taxes and other levies imposed by federal, state and local governments. Cocoa beans are processed locally into butter, powder and cake. Almost all cocoa butter, liquor and cake produced in Nigeria is exported. Domestic consumption of cocoa products consists almost exclusively of cocoa powder. Demand for powder by local beverage manufacturers is increasing. The industry has now completed its processing upgrade to mill additional volumes of cocoa cake into cocoa powder.

Trade

Nigeria's cocoa exports continue to attract discount pricing in the world market due to its generally poor quality. The largest Nigerian cocoa exporters focus their domestic purchasing activity to high-quality cocoa in order to

meet the requirements of foreign terminal market buyers. Trade sources indicate that approximately 135,000 tons of cocoa beans were exported in 2000/01. Additionally, we estimate that 22,000 tons (bean equivalent) were processed locally and exported as cocoa butter, cake and liquor. Local processors are switching their production from butter to liquor in response to a strong export demand and attractive prices for this product. Liquor export volume is forecast to rise from 4,000 tons in 2000/01 to 10,000 tons during the upcoming marketing season. Butter exports are projected to fall from 16,000 tons to 12,000 tons.

Cocoa merchants usually consolidate their purchases from local buying agents before delivering beans to state government produce inspection services for grading. Graded cocoa is later sold to exporters and processors. Most Nigerian cocoa is exported to Europe, with Belgium, the U.K., Germany, and Netherlands being the largest export destinations.

Tariffs

Exports of Cocoa from Nigeria are not subject to export taxes. A cocoa development levy of 5 dollars per ton is assessed by the Federal Produce Inspection Service under the Ministry of Commerce against cocoa bean exports. Regulatory enforcement is weak. Most exporters successfully avoid payment of this levy.

Policy

A Commission of Inquiry was established by the Obasanjo Government to investigate the improper distribution of approximately \$22 million by Government officials under the previous Abacha Government. This money was given to the GON in 1998 by the International Cocoa Organization following the liquidation of its buffer stocks. The Commission has submitted its report, identifying former federal, state, and local officials of improper disbursements for self-enrichment. The GON now seeks to recover these funds to finance cocoa development activities.